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May 17, 2001

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MAY 17 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**BY HAND**

Magalie Roman Salas, Esquire  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, SW, Room TWB204  
Washington, D.C. 20554

Re **Ex Parte Presentation**  
**CC Dockets 96-45/97-160**  
**Roseville Telephone Company**

Dear Ms. Salas:

This letter is to inform you that on May 17, 2001, an *ex parte* presentation was made to a member of the Commission's staff regarding a Petition for Reconsideration and a Petition for Limited Waiver previously filed by Roseville Telephone Company and pending in CC Dockets 96-45 and 97-160. An original and four copies of the written presentation given to the staff member is attached hereto.

Should any questions arise concerning this matter, please contact me.

Sincerely,



Paul J. Feldman  
Counsel for Roseville Telephone Company

PJF.jpg

Enclosures

cc (w/encls.): Jordan Goldstein, Esq.  
Carol Matthey, Esq.

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**Presentation of  
Roseville Telephone Company**  
May 17, 2001

MAY 17 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**The Problem**

- With 123,000 loops in its single study area, Roseville is classified as a "non-rural" carrier for universal service purposes.
- Roseville (a rate of return carrier) finds itself uniquely grouped with large price cap holding companies hundreds of times its size.
- As a result, Roseville has been denied high-cost support that its customers need, and other companies its size would normally receive.

**Two Items Pending Before the Commission**

- **PFR of the 10<sup>th</sup> Report & Order in CC Docket 96-45 – December, 1999**
  - Small non-rural LEC study areas experience transitional problems more like those of the rural LECs.
  - The dividing line between "small" and "large" carriers should be changed to either:
    - Carriers with less than 2% of the nation's subscriber lines, or
    - 200,000 access lines in a study area, consistent with the significant break point in the current Part 36 Rules.
- **Limited Petition for Waiver – November, 2000**
  - Requests that Roseville continue to receive high cost loop support under Part 36 Rules until Commission rules on Roseville's PFR of the 10<sup>th</sup> Report & Order in CC Docket 96-45.
  - Anticipates that the Commission will not be able to rule on Roseville's PFR prior to the elimination of hold-harmless support for non-rural LECs starting 1/1/01.
  - Documents special circumstances why a deviation from the current rules will be in the public interest.

**Special Circumstances**

- **In General:**
  - Under rules in place since 1987, study areas with under 200K access lines receive 6 ½ times more support than those with comparable costs but over 200K lines.
  - Smaller LECs lack the economies of scale and scope of the giant holding companies.
  - The Commission has found that there is no statutory requirement to use the Section 3(37) "rural/non-rural" study area definition as the break point for support determination.
  - The RTF study has found that:
    - The forward-looking cost model is not sufficiently accurate at the individual wire center level for support determination when a LEC has a limited number of wire centers.
    - Rural LECs have a higher dependency on explicit support than non-rural LECs.

- **Specific to Roseville:**

- Roseville is the smallest non-rural LEC by a wide margin.
- Roseville is the only non-rural study area receiving hold-harmless support that is not served by a large holding company.
- Roseville has 2 wire centers. All of the other non-rural holding companies serve over 1000 wire centers.

<u>Company</u>	<u>Loops (000)</u>	<u>Wire Centers</u>
Verizon	62,276	6,248
SBC	58,919	3,217
BellSouth	24,780	1,591
Qwest	6,884	1,259
Sprint	7,874	1,371
Roseville	123	2

- High cost loop support represents 6.68% of Roseville's unseparated loop revenue requirements.

<u>Company</u>	<u>USF as % of Loop Rev. Req.</u>
Verizon	0.54%
Verizon (w/o PR)	0.19%
SBC	0.03%
BellSouth	0.18%
Qwest	0.29%
Sprint	0.10%
Roseville	6.68%

- Roseville is the only non-rural company receiving hold-harmless support that is rate-of-return regulated.

### **Public Interest Considerations**

- Under Part 36 rules Roseville qualifies for \$1.65/line/month in USF support. If this is eliminated, basic rates could increase from \$18.90 to \$20.55.
- Roseville's \$2.4M of annual USF is less than 0.3% of the total fund, but loss of this support could require a 9% increase in local rates.
- Since the RTF has determined that the HCPM is not accurate for companies such as Roseville, reducing support based solely on this model is not in the public interest.
- Roseville should be afforded the same opportunity for the holistic review and reform of universal service and access charge structures through the MAG as all other similarly situated rate of return carriers.

### **Response to Staff Concerns**

- An increase in monthly local rates of \$1.65 is significant, particularly if the cause, the elimination of hold-harmless support, is not necessary.
- Other "mid-size" companies similar to Roseville receive high-cost support under the Part 36 Rules.
- Roseville's situation is different from that of Puerto Rico Telephone Company, since Roseville is not part of a large price cap holding company, and does not have the same economies of scale and scope.